

For Immediate Release

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February 2, 2017

PSC Takes Red Pen to NorthWestern Resource Plan

HELENA-The Montana Public Service Commission (PSC) today issued comments criticizing a plan by NorthWestern Energy to acquire over 500 MW of additional natural gas generating capacity in the next 18 years.

NorthWestern is required to submit a comprehensive portfolio management and resource procurement plan to the commission for review every two years. The current plan, submitted in March 2016, calls for the addition of 16 natural gas fired units, including three 18 MW internal combustion engines by the year 2019 and a 348 MW combined cycle combustion turbine in 2025.

The Commission acknowledged NorthWestern's need for additional capacity, but determined that the plan fails to justify many of the assumptions behind the proposed acquisitions.

"This is a great example of what happens when you don't show your work," said Commissioner Roger Koopman, R-Bozeman. "NorthWestern failed to demonstrate to the commission that future actions based on this plan would be in the best interest of ratepayers. Now they have to go back to the drawing board and come up with a truly collaborative product."

The comments express skepticism regarding how NorthWestern arrived at its capacity planning targets, as well as the pace at which the utility intends to phase in the new resources.

"NorthWestern hasn't conducted a full analysis to determine what capacity its current portfolio provides. I don't see how it can move forward with the acquisition of new resources without knowing this baseline," said Chairman Brad Johnson, R-East Helena.

The Commission faulted NorthWestern for failing to thoroughly evaluate a full range of alternatives to gas-fired generation such as pumped-storage hydro, upgrades to Colstrip, large-scale wind and solar, demand response from customers who can reduce their consumption at peak times, and a handful of other technologies.

The Commission, meanwhile, welcomed NorthWestern's effort to investigate creating a more efficient electricity market across a wider geographic footprint. "If you can solve problems by upgrading software rather than investing in pricey new hardware, all the better," said Travis Kavulla, R-Great Falls.

An additional area of concern for commissioners was the lack of meaningful stakeholder input throughout the planning process. The Commission's resource planning rules encourage NorthWestern to consult with an independent advisory committee of respected technical and public policy experts, yet information from the 2015 plan indicates that it met just five times with its committee over the two-year planning period.

"I'm very disappointed by the effort that was made on the part of NorthWestern to include stakeholders in this process," said Commissioner Bob Lake, R-Hamilton. "Stakeholders don't appear to have much confidence in this plan or the process that was used to develop it."

The Commission's comments conclude with a word of caution regarding the solicitation process that NorthWestern intends to use for its new resources.

"The fact that NorthWestern intends to submit offers on its own projects compounds the need for an objective and transparent bidding process. The Commission will be watching carefully to ensure that ratepayers are not overpaying for these resources," said Commissioner Tony O'Donnell, R-Billings.

NorthWestern projects an average annual growth rate of 0.75 percent in winter peak demand and 1.1 percent in summer peak demand. At these growth rates, NorthWestern estimates that its winter and summer peak demands will increase from 1,272 MW and 1,115 MW in 2014 to 1,365 MW and 1,363 MW, in 2035, respectively

NorthWestern will have until Dec. 15, 2018 to submit a new plan to the Commission for review.

For a complete copy of the Commission's comments, visit: <http://bit.ly/2kYdb4m>

To view the full Resource Plan docket, visit: <http://bit.ly/25ILtwT>

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